



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
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August 12, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF  
MEASURE B RATE INCREASE  
(ALL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval to increase the Measure B Trauma, Emergency, and Bioterrorism Response property assessment rate as authorized under the provisions of Measure B, approved by this County's voters on November 5, 2002.

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve a rate adjustment to increase the Measure B Trauma, Emergency, and Bioterrorism Response property assessment rate by seventy-two hundredths of one cent (\$0.0072) per improved square foot, for a total of \$0.0372 per improved square foot, effective July 1, 2008, to take into account the cumulative increase in the medical component of the prescribed consumer price index from July 1, 2003 through May 31, 2008.

*"To Enrich Lives Through Effective And Caring Service"*

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## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended action will provide needed additional annual funding, beginning in 2008-09, for the countywide system of trauma centers, emergency medical services, which includes County and non-County hospitals, and bioterrorism response activities. Voter approval of the Measure B Trauma, Emergency, and Bioterrorism Response (Measure B) property assessment in November 2002 provided and continues to provide substantial benefit to the County as well as non-County hospitals and physicians.

However, significant amounts of uncompensated costs, and underserved areas and needs remain within the trauma and emergency network, and DPH bioterrorism and emergency preparedness and response activities. The provisions of Measure B specifically allow for adjustment of the property assessment rate based on increases in the cost of providing medical services.

In light of the magnitude of DHS' projected budgetary shortfalls in 2008-09 and subsequent fiscal years, this recommended action will increase Measure B funding and provide additional resources to help maintain the existing trauma and emergency network. The United States Bureau of Labor Statistics publishes the medical component of the Western Urban Consumer Price Index (CPI) on a monthly basis. The recommended action adjusts the Measure B rate to help address increases in the cost of providing these medical services from July 2003.

### **Allocation to County Hospitals**

Between 2003-04 and 2006-07 unreimbursed trauma and emergency costs at County hospitals increased by 36.9 percent (\$280.0 million to \$383.3 million), or about 11.0 percent annually, while Measure B funding provided to County hospitals increased by only 1.9 percent (\$140.0 million to \$142.6 million), or about 0.6 percent annually. During those years, DHS used designation funds to balance its budget. However, beginning in 2008-09, there are no designation funds remaining. Unreimbursed trauma and emergency costs will continue to contribute to DHS' structural budgetary shortfalls. Provision of additional Measure B funds to DHS will help offset a portion of these unreimbursed costs.

#### Allocation to Non-County Trauma Hospitals

During contract negotiations for the previous two contracts, the non-County trauma hospitals (NCTHs) have indicated that their unreimbursed indigent trauma and emergency costs were increasing by about 8 percent per year. Part of this increase reflects a greater trauma volume, with public and private trauma hospitals showing an increase of 10.4 percent in volume from 2003-04 to 2006-07. Even though historical data point to an increase in trauma costs, due to the lack of other funding sources identified during the negotiation of the current two-year NCTH agreements beginning in 2008-09, these contracts do not provide for any increase in funding other than any increase in the Measure B property assessment rate upon approval by the Board of Supervisors. Provision of Measure B funds would assist in offsetting growing and unreimbursed cost of indigent trauma and emergency care for the NCTHs.

#### Allocation to Department of Public Health

In the area of bioterrorism and public health emergency preparedness and response, DPH has continuing needs in developing disease and health event surveillance, laboratory detection and investigation response capability related to potential acts of biological, chemical and radiological terrorism. These threats continue to be of concern because of the prominence of Los Angeles as a population, civic, cultural, and economic center. This Measure B rate increase will allow the County to fund a portion of these increasing costs for bioterrorism and emergency preparedness and response.

#### Implementation of Strategic Plan Goals

This action supports Goal 7, Health and Mental Health, by helping to ensure adequate delivery and quality of health care, in particular trauma and emergency health care, and public health preparedness and response.

#### FISCAL IMPACT/FINANCING

This Measure B rate increase will generate approximately \$45.2 million for DHS in needed additional annual revenue beginning in 2008-09, of which \$7.7 million will be provided to NCTHs in accordance with the terms of their Trauma Center Service Agreements (TCSA). None of the other contracts with non-County providers contain a provision for a funding increase should a Measure B rate increase be approved. Of the remaining \$37.5 million, \$36.8 million is proposed to be used to partially offset the unreimbursed costs of trauma and emergency services provided to indigents at DHS facilities and \$0.7 million is proposed to be used to support DPH bioterrorism preparedness and response activities.

The Departments will work with the Chief Executive Office to include this additional funding and appropriations in the recommendations for your Board's consideration during the Supplemental changes phase of the 2008-09 budget process.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

The provisions of Measure B allow your Board to increase the initial Measure B rate of three cents (\$0.03) per improved square foot annually, as adjusted by the cumulative increase to the medical component of the CPI since July 1, 2003. To date, no increase in the rate has been made. The cumulative increase in the medical CPI since July 1, 2003, is 24.2 percent, which results in a potential maximum increase to the Measure B rate of seventy-two hundredths of one cent (current Measure B rate of  $\$0.03 \times 0.242 = \$0.0072$ ), bringing the maximum potential rate for 2008-09 to \$0.0372 per improved square foot. As an example, for a property (e.g., home, business, storage facility, etc.) with 1,500 square feet of structural improvements, the annual Measure B increase would be \$10.80 ( $1,500 \times \$0.0072$ ), bringing the total annual assessment to \$55.80 ( $1,500 \times \$0.0372$ ).

While the Board has the option to approve the requested increase, or any increment up to a maximum of seventy-two hundredths of one cent (\$0.0072), during any future fiscal year, the associated revenue increase for 2008-09 would be lost if the recommended rate increase is not approved and implemented in the 2008-09 property tax bills. Accordingly, your Board's approval is needed no later than August 26, 2008 to provide sufficient time to incorporate the rate increase into the 2008-09 property tax bills to ensure these increased revenues can be received.

In accordance with the TCSA, with the 11 NCTHs, approved by your Board on June 17, 2008, and based on the recommended rate increase, the NCTHs will receive an increase to their annual contract maximum funding of approximately \$7.7 million. They will also receive additional Medi-Cal matching funds of approximately \$7.4 million, bringing their total additional annual funding to \$15.1 million. If your Board approves a rate increase of less than the maximum amount allowable, the NCTHs will receive proportionately less funding pursuant to the terms of the TCSA.

**CONTRACTING PROCESS**

Not applicable.

Honorable Board of Supervisors  
August 12, 2008  
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**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended Measure B rate increase will assist DHS in maintaining the current level of services within the emergency and trauma network, and strengthen DPH's bioterrorism and emergency preparedness and response capabilities.

**CONCLUSION:**

When approved, three signed copies of the Board's action will be required.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'WTF', followed by a long horizontal line and a stylized flourish.

WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:SRH:SAS  
MLM:LT:yb

c: County Counsel  
Auditor-Controller  
Interim Director, Department of Health Services  
Director of Public Health and Health Officer